

Message Text

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APPROVED BY A/AID:DPARKER

NEA:ALATHERTON, JR.

AA/NE:RHNOOTER

NE/CD:STAUBENBLATT (SUBS)

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO PRIORITY

C O N F I D E N T I A L STATE 300583

EXDIS - FROM PARKER, ATHERTON AND NOOTER

E.O. 11652: GDS

TAGS: EAID; EG

SUBJECT: AID PROGRAM FOR EGYPT

REFERENCE: (A) CAIRO 16709, (B) STATE 277305

1. WHILE IN WASHINGTON, USAID/EGYPT DIRECTOR BROWN MET WITH PARKER, ATHERTON, NOOTER AND OTHERS. CONVERSATIONS IN PART DEALT WITH CONCERNS AND PROPOSALS EXPRESSED REFTEL.

2. IN DISCUSSING POSSIBLE MEANS OF HAVING MORE IMMEDIATE AND VISIBLE AID IMPACT, AS WELL AS PROVIDING FOR PSYCHIC AND ECONOMIC NEEDS OF THE MORE VOLATILE ELEMENTS OF EGYPTIAN SOCIETY, WE HAVE CONCLUDED FOLLOWING:

(A) BROWN, WITH HIS STAFF, WILL EXAMINE POSSIBILITY FOR
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EXPEDITING CIP BY CHANGING COMMODITY ALLOCATIONS, MOVING

EGYPTIANS ALONG FASTER, ETC. IN KEEPING WITH SUGGESTION
REFTEL B.

(B) USAID/CAIRO WILL EXAMINE WITH GOE POSSIBILITY OF
ENLARGING SCOPE OF CIP PROGRAM TO INCLUDE PROCUREMENT OF

ITEMS FROM THE U.S. THAT THE EGYPTIANS CURRENTLY PURCHASE
FROM THIRD COUNTRIES.

(C) BROWN ET AL, AS WELL AS WASHINGTON STAFF, WILL
COMPILE LISTING OF POSSIBLE PROJECTS THAT CAN BE UNDER-
TAKEN QUICKLY, HAVE VISIBILITY, ARE DESIGNED TO IMPACT
ON POTENTIALLY VOLATILE ELEMENTS, ETC. THIS WILL INCLUDE
CONSIDERATION OF MISSION SUGGESTIONS CONTAINED PARA 3,
REF A. WE ARE WILLING IN PRINCIPLE TO ATTEMPT TO
(1) SECURE ALLOCATIONS OF U.S.-OWNED EXCESS LOCAL
CURRENCY TO MEET THE LOCAL CURRENCY COSTS OF THESE
PROJECTS, AND (2) MEET THE PROJECT DOLLAR COSTS BY
APPROPRIATE REVISIONS TO THE FY 1977 BILATERAL AID
PROGRAM. THESE MEASURES WOULD REQUIRE CONGRESSIONAL
NOTIFICATION.

(D) AID/W HOUSING OFFICE IS PREPARING A PROPOSAL FOR A
QUICK IMPACT LOW-COST HOUSING PROJECT. (A LARGE LOCAL
CURRENCY COST COMPONENT WOULD BE INVOLVED.)

3. THE ABOVE APPROACH FOCUSSES ON AN IMMEDIATE ECONOMIC/
POLITICAL REQUIREMENT FOR PROGRAMS WITH A DEMONSTRABLE
SHORT-TERM IMPACT. IT PERHAPS GOES WITHOUT SAYING THAT
EGYPT'S BASIC ECONOMIC PROBLEM IS STRUCTURAL IN NATURE.
THE ONLY VIABLE MEDIUM- OR LONG-TERM SOLUTION IS
THROUGH STRUCTURAL ECONOMIC REFORMS. TREATMENT OF
ECONOMIC SYMPTOMS RATHER THAN CAUSES IS AT BEST A STOP
GAP MEASURE THAT WILL NOT DO MUCH TO ALLEVIATE THE
BASIC PROBLEMS FACING THE MAN IN THE STREET; BUT HAVING
SAID THAT, WE RECOGNIZE THE NEED TO TAKE THE SHORT TERM
POLITICAL DIMENSIONS INTO ACCOUNT IF THERE IS TO BE A
LONGER TERM TO DEAL WITH. SEPTTEL WILL FOLLOW
ELABORATING OUR VIEWS ON THE CURRENT AND PROSPECTIVE
EGYPTIAN ECONOMIC SITUATION.
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